

and reporting requirements are conducted.

(f) *Allowable costs.* Established procedures shall be used for determining the reasonableness, allowability, and allocability of costs in accordance with the cost principles prescribed by Subpart T of this part and the provisions of the grant award.

(g) *Source documentation.* Accounting records shall be supported by source documentation. These documentations include, but are not limited to, cancelled checks, paid bills, payrolls, contract and subgrant award documents.

(h) *Audit resolution.* A systematic method shall be employed by each recipient to assure timely and appropriate resolution of audit findings and recommendations.

Subpart I—Audits

AUTHORITY: Single Audit Act of 1984, Pub. L. 98-502.

SOURCE: 51 FR 1486, Jan. 14, 1986, unless otherwise noted.

§ 3015.70 Audits of State, local and Indian Tribal governments.

(a) This subpart establishes audit requirements for State, local and Indian Tribal governments that receive USDA Federal assistance and defines Federal responsibilities for implementing and monitoring those requirements. Additionally, this subpart implements the audit requirements and policies for government organizations contained in the following documents, which are incorporated into this subpart by reference and/or as an Appendix.

(1) Single Audit Act of 1984, (Pub. L. 98-502);

(2) The Office of Management and Budget (OMB) Circular A-128, and any subsequent revisions;

(3) Standards for Audit of Governmental Organizations, Programs, Activities and Functions issued by the Comptroller General of the United States in 1981 (GAO Standards), and any subsequent revisions;

(4) Generally Accepted Auditing Standards issued by the American Institute of Certified Public Accountants (AICPA);

(5) AICPA Industry Audit and Accounting Guide, Audits of State and Local Governmental Units;

(6) Compliance Supplements for Single Audits of State and Local Governments issued by OMB in April 1985, and any subsequent revisions; and

(7) Federal cognizant agency assignments issued by OMB on October 6, 1980, and any subsequent revisions.

(b) All of the requirements contained in paragraphs (a)(1) through (5) must be met by a recipient before an audit can be accepted as a Federal audit by the respective cognizant agencies referenced in paragraph (a)(7). The auditor may use the Compliance Supplement for Single Audits of State and Local Governments, published by OMB, or ascertain compliance requirements by researching the statutes, regulations, and agreements governing individual Federal programs.

§ 3015.71 Policy.

(a) OMB Circular A-128, included herein as Appendix B, establishes uniform audit requirements for State, local and Indian Tribal governments, or their subdivisions, that receive Federal financial assistance. The Circular requires recipients and subrecipients of Federal financial assistance to arrange for independent audits of financial operations, including compliance with certain provisions of Federal laws and regulations, and to assure that single audits are made in accordance with Circular A-128.

(b) A State, local, or Indian Tribal government which receives less than \$25,000 in Federal assistance is exempt from the requirements contained herein, but shall have an audit made in accordance with State and local law or regulations for any fiscal year in which it receives less than \$25,000 in Federal financial assistance.

(c) A single audit in accordance with Circular A-128 and this subpart shall be in lieu of any audit required under individual USDA Federal assistance programs. A single audit should provide USDA agencies with the information they need to carry out their responsibilities and they shall rely upon and use that information. Any additional